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8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 FOR THE COUNTY OF LOS ANGELES

10 THE PEOPLE OF THE STATE OF
11 CALIFORNIA, by and through the
12 CALIFORNIA CORPORATIONS
COMMISSIONER,

13 Plaintiff,

14 v.

15 AQCESS TECHNOLOGIES, INC, a Nevada
16 corporation, JON-ERIK PRICHARD, an
individual, GREATCHITIES, INC., a California
17 corporation, GOLDEN GLOBAL PACIFIC, a
California corporation, THOMAS R.
18 SANFORD, an individual, KAIN K. JOHNSON,
19 an individual, EHBET MARKETING, a
California corporation, CARL D. DAVIS, an
20 individual, MICHAEL D. LOVE, an individual;
21 and DOES 1-100, inclusive,

22 Defendants.
23

CASE NO. BC 282712

COMPLAINT FOR PERMANENT
INJUNCTION; CIVIL PENALTIES AND
ANCILLARY RELIEF

VIOLATIONS OF CORP. CODE § 25110
(UNQUALIFIED SALES OF SECURITIES)

VIOLATIONS OF CORP. CODE § 25401
(FRAUD IN CONNECTION WITH THE
OFFER AND SALE OF SECURITIES)

VIOLATIONS OF CORP. CODE § 25210
(UNLICENSED BROKER-DEALER)

DATE FILED:

TRIAL DATE: NONE

24 Demetrios A. Boutris, California Corporations Commissioner (“Commissioner”), acting to
25 protect the public from the unlawful and fraudulent sale of unqualified securities and unlicensed
26 broker-dealer activity brings this action in the public interest in the name of the People of the State
27 of California. The People of the State of California, allege as follows:
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JURISDICTION AND VENUE

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2 1. The Commissioner brings this action on behalf of the Plaintiff, the People of the State
3 of California, to enjoin the defendants from violating the provisions of the California Corporate
4 Securities Law of 1968 ("CSL")(Corp. Code §§ 25000 et seq.) and to request necessary equitable
5 and ancillary relief. The Commissioner is authorized to administer and enforce the provisions of the
6 CSL and the regulations thereunder at Title 10, California Code of Regulations.

7 2. The Commissioner brings this action pursuant to Corporations Code Sections 25530
8 and 25535 and Government Code Sections 11180 et seq. in his capacity as head of the California
9 Department of Corporations.

10 3. Defendants, and each of them, have transacted and continue to transact business within
11 Los Angeles County and other counties in California. The violations of law herein have occurred
12 and will continue to occur, unless enjoined, within Los Angeles County and elsewhere within the
13 state of California.

DEFENDANTS

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15 4. From July 2000 to present, Aqcess Technologies, Inc. ("Aqcess") was a Nevada
16 corporation doing business in California. Prior to July 2000, Aqcess was a Delaware corporation.
17 From July 1997 to present, Aqcess operated its business from different locations including 3611 S.
18 Harbor Ste. 105, Santa Ana, CA 92704, 16800 Aston Street, Irvine, CA 92606 and 16835
19 Algonquin St. #637, and Huntington Beach, CA 92649.

20 5. At all relevant times hereto, Greatcities, Inc. (hereinafter referred to as "Greatcities")
21 was a California corporation with its principal place of business at 16800 Aston St. #201, Irvine, CA
22 92606.

23 6. At all relevant times hereto, Jon-Erik Prichard ("Prichard") was an individual residing
24 in Orange County and founder and President Aqcess and Greatcities.

25 7. At all relevant times hereto, Golden Global Pacific, Inc. ("Golden Global" or "GGP")
26 was a California corporation. Golden Global operated its business from different locations including
27 1150 Main Street #E, Irvine, CA 92614 and 3611 S. Harbor Ste. 105, Santa Ana, CA 92704.
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8. At all relevant times hereto, Thomas R. Sanford ("Sanford") was an individual residing in Orange County and President of Golden Global.

9. At all relevant times hereto, Kain K. Johnson ("Johnson") was an individual residing in Orange County and an officer and principal of Golden Global.

10. At all relevant times hereto, Ehbets Marketing, Inc. (hereinafter referred to as "Ehbets") was a California corporation with its principal place of business of 3443 Camino Del Rio South, #201, San Diego, CA 92108.

11. At all relevant times hereto, Michael D. Love (hereinafter referred to as "Love") was an individual residing in San Diego county and President of Ehbets.

12. At all relevant times hereto, Carl D. Davis (hereinafter referred to as "Davis") was an individual residing in San Diego county and Chief Executive Officer of Ehbets.

13. Plaintiff is informed and believes and on such information and belief alleges that, at all relevant times, those defendants named as officers, directors, agents or employees, acted in such capacities in connection with the acts, practices and schemes of business set forth below.

14. Each defendant alleged to have committed any act, did and committed the same pursuant to a common plan and scheme among all named defendants, and did so as the agent for each and all of his or her co-defendants and pursuant to and in furtherance of such common plan and scheme.

15. Plaintiff is informed and believes that at all times herein mentioned, the business entity defendants, continue in existence as alter egos of the individual defendants pursuant to a scheme to obtain money from the public through the offer and sale of securities to the public, and are shells, frameworks and conduits used to transmit investors' money for their own benefit and for the benefit of their affiliates named herein.

16. At all times mentioned herein, the business entity defendants were so influenced and controlled by the individual defendants in the conduct of their business and affairs, that there exists a unity of interest and ownership among said parties, so that adherence to the fiction of separate corporate and individual existences would serve to work an injustice upon the public.

18. Whenever any allegation is made in this Complaint to "Defendants" doing any act, the allegation shall mean the act of each Defendant acting individually, jointly and severally and the conspiring of these defendants to so act.

19. Whenever any allegation is made in this Complaint to any of the business entity defendants doing any act, the allegation shall mean acts done or authorized by the officers, directors, agents, and employees of the business entity defendant while actively engaged in the management, direction or control of the affairs of the business entity defendant, and while acting within the course and scope of their employment.

20. In April 1996, Aqcess began the development of a handheld computer called the QBE. The QBE is a hybrid of a desktop and laptop computer.

21. The development of the QBE was financed through a series of offerings of Aqcess common stock.

22. On or about July 31, 1997, Aqcess began raising \$1,000,000 through the sale of 500,000 shares of its common stock. On or about January 31, 1998, Aqcess began raising an additional \$1,000,000 through the sale of 400,000 shares of its common stock. On or about June 8, 1998, Aqcess began raising an additional \$800,000 through the sale of 200,000 shares of its common stock. On or about January 1, 1999, Aqcess began raising an additional \$5,000,000 through the sale

1 of 1,250,000 shares of its common stock. On or about August 1, 1999, Aqcess began raising an
2 additional \$2,800,000 through the sale of 560,000 shares of its common stock. On or about
3 November 15, 1999, Aqcess began raising an additional \$6,000,000 through the sale of 1,000,000
4 shares of its common stock. On or about June 20, 2000, Aqcess began raising an additional
5 \$7,500,000 through the sale of 1,000,000 shares of its common stock. In sum, Aqcess proposed to
6 raise a total of \$24,100,000. Plaintiff became aware of these activities in 2000.

7 23. Greatcities operated an Internet web site (greatcities.com) that according to promotional
8 materials, “engaged in the business of providing Internet access solutions to personal and business
9 subscribers.” Greatcities was allegedly formed to provide online distribution for the QBE, and to
10 provide public Internet services and home networking products.

11 24. On or about January 3, 2000, Greatcities began raising \$5,000,000 through the sale of
12 1,667,000 shares of its common stock. On or about June 9, 2000, Greatcities began raising an
13 additional \$5,000,000 through 1,000,000 shares of its common stock. In sum, Greatcities proposed
14 to raise a total of \$10,000,000.

15 25. Each offering made by Aqcess and Greatcities was memorialized in a separate written
16 document entitled private placement memorandum (“PPM”) and distributed to investors.

17 26. Aqcess and Greatcities solicited investments from the public through their employees
18 and also entered into contracts with Golden Global for Golden Global to solicit investors on their
19 behalves.

20 27. Golden Global’s principals Sanford and Johnson solicited individuals in Los Angeles
21 County, other counties in California and other states and solicited them to purchase shares of Aqcess
22 and Greatcities.

23 28. Golden Global hired independent sales organizations to solicit investors to purchase
24 shares of Aqcess and Greatcities as well, including Ehbets.

25 29. Love, Davis, and Ehbets, either directly or through sales agents, approached individuals
26 in California and in other states and solicited them to purchase shares of Aqcess and Greatcities.
27
28

30. Each PPM provided to Aqcess and Greatcities investors described sales commissions to be paid to shareholder representatives. Although the amounts of the commissions to be paid differ in each PPM, the maximum commission to be paid in any PPM was 18% and the lowest 15%.

31. However, instead of paying Golden Global 15% to 18% of each investment in commissions as stated in the PPM's, Aqcess and Greatcities paid Golden Global approximately 35% in commissions. The fact that Golden Global received almost twice the commissions stated in the PPM's was not disclosed to investors.

32. Defendants' background includes personal bankruptcies, bars from the National Association of Securities Dealers ("NASD"), permanent injunctions and state securities administrative actions. None of the following material facts was disclosed to investors:

A. Defendants failed to disclose that on December 15, 1995, Love was permanently enjoined from violating provisions of the California Corporate Securities Law of 1968, including the anti-fraud provision (§ 25401) and the broker-dealer provision (§ 25210);

B. Defendants failed to disclose that on March 23, 1995, the Commissioner of Securities in the State of Wisconsin entered an Order of Prohibition and Revocation against Love for violations of Wisconsin securities laws;

C. Defendants failed to disclose that on March 8, 1995, the Bureau of Securities Regulation in the State of New Hampshire ordered Love to cease and desist from violating New Hampshire securities laws;

D. Defendants failed to disclose that on August 29, 1999, the Commissioner of Securities in the State of Wisconsin entered an Order of Prohibition and Revocation against Aqcess, Prichard, and Sanford for violations of Wisconsin securities laws;

E. Defendants failed to disclose that on March 16, 1999, the Securities Division of the Indiana Secretary of State issued a Cease and Desist Order to Aqcess and Johnson for securities law violations, including fraud;

F. Defendants failed to disclose that on April 29, 1999, the NASD barred Sanford for misappropriating \$21,800.

1 G. Defendants failed to disclose that Prichard filed a bankruptcy petition in 1995
2 with regard to a business he operated called Post Communication, otherwise known
3 as The Post.

4 H. Defendants failed to disclose that neither Golden Global nor Ehbey were
5 licensed as a securities broker-dealer.

6 **FIRST CAUSE OF ACTION**

7 **OFFER AND SALE OF UNQUALIFIED, NON-EXEMPT SECURITIES IN VIOLATION OF**
8 **CORPORATIONS CODE SECTION 25110**

9 (ALL DEFENDANTS and DOES 1-100)

10 33. Plaintiff incorporates by reference paragraphs 1 through 32 of this complaint as though
11 fully set forth herein.

12 34. Corporations Code Section 25110 provides in relevant part as follows:

13 It is unlawful for any person to offer or sell in this state any security in an issuer
14 transaction . . . unless such sale has been qualified under Section 25111, 25112 or
15 25113 . . . or unless such security or transaction is exempted or not subject to
16 qualification under Chapter 1 (commencing with Section 25100) of this part.

17 35. Commencing at least as early as July 1997 and continuing thereafter, Defendants, and
18 each of them, have offered and sold securities in issuer transactions in the state of California.

19 36. The investments offered and sold by Defendants, and each of them, were "securities"
20 within the meaning of Corporations Code Section 25019 and case law thereunder. The securities
21 were stock in Aqcess and Greatcities.

22 37. The sales referred to herein were "issuer transactions" within the meaning of
23 Corporations Code Sections 25010 and 25011.

24 38. The Defendants "offered and sold" said securities "within the state" of California within
25 the meaning of Corporations Code Sections 25008 and 25017.

26 39. The Commissioner has not issued a permit or other form of qualification authorizing
27 the Defendants to offer and sell the securities referred to herein in the state of California.
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40. The offer and sale of securities referred to herein were not exempt from the requirement of qualification under Corporations Code Section 25110.

41. Defendants, and each of them, offered and sold, or directly or indirectly controlled other co-defendants, by knowingly inducing or by knowingly providing substantial assistance to other co-defendants, to engage in the offer and sale of unqualified, non-exempt, securities in violation of Corporations Code Section 25110.

42. Plaintiff is informed and believes, and thereon alleges that the last overt act in pursuance of the above-described conspiracy occurred in or about June 2000 on which date Defendants accepted monies from investors for the purchase of stocks.

43. Unless enjoined by this Court, Defendants will continue to violate Corporations Code Section 25110.

SECOND CAUSE OF ACTION

MISREPRESENTATION OR OMISSION OF MATERIAL FACTS IN VIOLATION OF CORPORATIONS CODE SECTION 25401

(ALL DEFENDANTS and DOES 1-100)

44. Plaintiff realleges and incorporates by reference paragraphs 1 through 43 of this Complaint as though fully set forth herein.

45. Corporations Code Section 25401 states as follows:

It is unlawful for any person to offer or sell a security in this state or buy or offer to buy a security in this state by means of any written or oral communication which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

46. In offering and selling the securities referred to herein, Defendants directed, made or directly or indirectly controlled other co-defendants, by knowingly inducing or by knowingly providing substantial assistance to other co-defendants, to make untrue statements and/or misrepresentations, or to omit to state, material facts to some or all of the investors. The misrepresentations or omissions included, without necessarily being limited to, the following:

1 A. Defendants failed to disclose that on December 15, 1995, Love was
2 permanently enjoined from violating provisions of the California Corporate Securities
3 Law of 1968, including the anti-fraud provision (§ 25401) and the broker-dealer
4 provision (§ 25210);

5 B. Defendants failed to disclose that on March 23, 1995, the Commissioner of
6 Securities in the State of Wisconsin entered an Order of Prohibition and Revocation
7 against Love for violations of Wisconsin securities laws;

8 C. Defendants failed to disclose that on March 8, 1995, the Bureau of Securities
9 Regulation in the State of New Hampshire ordered Love to cease and desist from
10 violating New Hampshire securities laws;

11 D. Defendants failed to disclose that on August 29, 1999, the Commissioner of
12 Securities in the State of Wisconsin entered an Order of Prohibition and Revocation
13 against Aqcess, Prichard, and Sanford for violations of Wisconsin securities laws;

14 E. Defendants failed to disclose that on March 16, 1999, the Securities Division
15 of the Indiana Secretary of State issued a Cease and Desist Order to Aqcess and
16 Johnson for securities law violations, including fraud;

17 F. Defendants failed to disclose that on April 29, 1999, the NASD barred
18 Sanford for misappropriating \$21,800.

19 G. Defendants failed to disclose that Prichard filed a bankruptcy petition in 1995
20 with regard to a business he operated called Post Communication, otherwise known
21 as The Post.

22 H. Defendants failed to disclose that neither Golden Global nor Ehbey were
23 licensed as a securities broker-dealer.

24 47. The misstatements and omissions referred to herein were "material facts" within the
25 meaning of Corporations Code Section 25401 since they concerned matters which a "reasonable
26 investor" would consider in deciding whether to invest.

27 48. Defendants' misrepresentations and omissions were "in connection with" the offer and
28 sale of securities within the meaning of Corporations Code Section 25401.

50. Defendants, and each of them, made or directly or indirectly controlled other co-defendants by knowingly inducing, or by knowingly providing substantial assistance to other co-defendants to make untrue statements and/or omit to disclose statements, to some or all of the investors, of material facts in connection with the offer and sale of securities in violation of Corporations Code Section 25401.

51. Plaintiff is informed and believes, and thereon alleges that the last overt act in pursuance of the above-described conspiracy occurred in or about June 2000 on which date Defendants accepted monies from investors for the purchase of stocks.

52. Unless enjoined, Defendants will continue to violate Corporations Code Section 25401.

THIRD CAUSE OF ACTION

UNLICENSED BROKER-DEALER ACTIVITY IN VIOLATION OF CORPORATIONS CODE
SECTION 25210

(GOLDEN GLOBAL, SANFORD, JOHNSON, EHBET, LOVE, DAVIS, DOES 21-80)

53. Plaintiff incorporates by reference paragraphs 1 through 52 of this Complaint as though fully set forth herein.

54. Corporations Code Section 25210 provides in pertinent part:

(a) Unless exempted . . . no broker-dealer shall effect any transaction in, or induce or attempt to induce the purchase or sale of, any security in this state unless the broker-dealer has first applied for and secured from the commissioner a certificate, then in effect, authorizing that person to act in that capacity.

(b) No person shall, on behalf of a broker-dealer licensed pursuant to Section 25211, or on behalf of an issuer, effect any transaction in, or induce or attempt to induce the purchase or sale of, any security in this state unless that broker-dealer and agent have complied with any rules as the commissioner may adopt for the qualification and employment of those agents.

55. Corporations Code Section 25004 defines broker-dealer in relevant part as:

... any person engaged in the business of effecting transactions in securities in this state for the account of others

57. Defendants and each of them have not applied for and secured from the Commissioner, a broker-dealer certificate.

58. Defendants, and each of them, are not exempt from the provisions of Corporations Code 25210 requiring broker-dealers to obtain a certificate from the Commissioner.

59. Defendants, and each of them, directly or indirectly controlled other co-defendants, by knowingly inducing or by knowingly providing substantial assistance to other co-defendants, to act as unlicensed broker dealers and/or unlicensed agents by engaging in the business of effecting transactions in, or inducing or attempting to induce the purchase or sale of securities, in the form of stock, in violation of Corporations Code Section 25210.

60. Plaintiff is informed and believes, and thereon alleges that the last overt act in pursuance of the above-described conspiracy occurred in or about June 2000 on which date Defendants accepted monies from investors for the purchase of stocks.

61. Unless enjoined by this Court, Defendants will continue to violate Corporations Code Section 25210.

PRAYER

WHEREFORE, plaintiff prays for judgment as follows:

PRA YER

WHEREFORE, plaintiff prays for judgment as follows:

RELIEF AGAINST ALL DEFENDANTS AND DOES 1-100

1. For an order of permanent injunction enjoining Defendants Aqcess, Greatcities, Prichard, Golden Global, Sanford, Johnson, Ehbett, Love, Davis, and such Does as may be subsequently named, and their officers, directors, successors in interest, agents, employees, attorneys in fact, and all persons acting in concert or participating with them, or any of them, from directly or indirectly:

a. Violating Corporations Code Section 25110, by offering to sell, selling, arranging for the sale of, issuing, engaging in the business of selling, negotiating for the sale of, or otherwise in

1 any way dealing or participating in the offer or sale of, any security of any kind, including but not
2 limited to the securities described in this Complaint, unless such security or transaction is qualified
3 or exempted or not subject to qualification;

4 b. Violating Corporations Code Section 25401, by offering to sell or selling any
5 security of any kind, including but not limited to, the securities described in this Complaint, by
6 means of any written or oral communication which includes any untrue statement of material fact or
7 omits or fails to state any material fact necessary in order to make the statements made, in the light
8 of the circumstances under which they are made, not misleading, including but not limited to the
9 misrepresentations and omissions alleged in this Complaint;

10 c. Removing, destroying, mutilating, concealing, altering, transferring, or otherwise
11 disposing of, in any manner, any books, records, computer programs, computer files, computer
12 printouts, correspondence, brochures, manuals, or other writings or documents of any kind as
13 defined in California Evidence Code Section 250 relating to the transactions course of conduct as
14 alleged in this Complaint;

15 d. Transferring, changing, disbursing, selling, dissipating, converting, pledging,
16 assigning, foreclosing or otherwise disposing of any real property or personal property in their
17 possession or under their control, or in the possession of, or under the control of any of the
18 Defendants, which property or other assets were derived or emanated from directly, or indirectly, the
19 sale and issuance of securities as alleged in this Complaint, without leave of the Court; and

20 e. Withdrawing, transferring, changing, disbursing, dissipating, converting, pledging,
21 or assigning any funds or other assets which were derived or emanated, directly or indirectly, from
22 the offer sale of securities as alleged in this Complaint, from any accounts at any bank, savings and
23 loan association, broker-dealer or any other financial institution in the name of any of the
24 Defendants, or controlled by any of the Defendants, without leave of the Court.

25 2. For a Final Judgment requiring Defendants Aqcess, Greatcities, Prichard, Golden
26 Global, Sanford, Johnson, Ehbets, Love, Davis, and such Does as may be subsequently named,
27 individually, jointly and severally, to rescind each and all of the unlawful transactions alleged in this
28 Complaint, as shall be determined by this Court to have occurred, and further requiring Defendants

1 and such Does as may be subsequently named, individually, jointly and severally, to pay full
2 restitution to each person determined to have been subject to Defendants acts or practices which
3 constitute violations of the California Corporate Securities Law with the total amount of funds being
4 at least \$31,934,751, or any other amount according to proof. In addition, to pay either the
5 contracted rate of interest or the legal rate of interest on the amounts invested by the investors from
6 the dates of their investments to the date of judgment herein.

7 3. For a Final Judgment requiring Defendants Aqcess, Greatcities, Prichard, Golden
8 Global, Sanford, Johnson, Ehbets, Love, Davis, and such Does as may be subsequently named,
9 individually, jointly and severally, to disgorge to all known investors all benefits received, including
10 but not limited to, salaries, commissions, fees, profits and any other remuneration, derived directly
11 or indirectly, from the actions or practices which constitute violations of the California Corporate
12 Securities Law.

13 4. For a Final Judgment requiring Defendants Aqcess, Greatcities, Prichard, Golden
14 Global, Sanford, Johnson, Ehbets, Love, Davis, and such Does as may be subsequently named, and
15 each of them, to pay to the Department of Corporations \$25,000 as a civil penalty for each act in
16 violation of the Corporate Securities Law, as authorized by Corporations Code Section 25535 as
17 follows:

18 a. As to the First Cause of Action, to be individually, jointly and severally liable
19 for at least \$37,125,000 for at least one thousand four hundred eighty-five (1485) violations of
20 Corporations Code Section 25110, or any other amount according to proof; and

21 b. As to the Second Cause of Action, to be individually, jointly and severally
22 liable for at \$37,125,000 for at least one thousand four hundred eighty-five (1485) violations of
23 Corporations Code Section 25401, or any other amount according to proof.

24 **RELIEF AGAINST DEFENDANTS GOLDEN GLOBAL, SANFORD, JOHNSON, EHBET,**
25 **LOVE, DAVIS AND DOES 21-80**

26 5. For an order of permanent injunction enjoining Defendants Golden Global, Sanford,
27 Johnson, Ehbets, Love, Davis, and such Does as may be subsequently named, and their officers,
28 directors, successors in interest, agents, employees, attorneys in fact, and all persons acting in

1 concert or participating with them, or any of them, from directly or indirectly, violating Corporations
2 Code Section 25210, by effecting any transaction in, or inducing or attempting to induce the
3 purchase or sale of, any security in California, including but not limited to the securities described in
4 this Complaint, without having first applied for and secured from the commissioner a certificate,
5 then in effect, authorizing the Defendants to conduct business as broker-dealers, unless exempt.

6 6. For a Final Judgment requiring Defendants Golden Global, Sanford, Johnson, Ehbett,
7 Love, Davis, and such Does as may be subsequently named, and each of them, to pay to the
8 Department of Corporations \$25,000 as a civil penalty for each act in violation of the Corporate
9 Securities Law, as authorized by Corporations Code Section 25535:

10 a. As to the Third Cause of Action, to be individually, jointly and severally liable for
11 at least \$37,125,000 for at least one thousand four hundred eighty-five (1485) violations of
12 Corporations Code Section 25210, or any other amount according to proof.

13 7. For an order that this court will retain jurisdiction of this action in order to implement
14 and carry out the terms of all orders and decrees that may be entered herein or to entertain any
15 suitable application or motion by plaintiff for additional relief within the jurisdiction of this Court;

16 8. For such other and further relief as this Court may deem necessary and proper.

17 Dated: October 2, 2002

DEMETRIOS A. BOUTRIS
California Corporations Commissioner

19 By: _____
20 MARC S. CRANDALL
21 Corporations Counsel
22 Attorneys for Plaintiff
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